

Message Text

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ACTION EUR-12

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TAGS: EIND, ETRD, OECD, EEC

SUBJECT: EC PREPARATIONS FOR THE CIEC RAW MATERIALS COMMISSION
AND UNCTAD IV

REF: 75 EC BRUSSELS 1037

1. BEGIN SUMMARY: THE EC COMMISSION HAS SENT THE EC COUNCIL AD HOC GROUP ON COMMODITIES A PAPER SPELLING OUT A GLOBAL APPROACH TO COMMODITY PROBLEMS FOR USE AT CIEC AND UNCTAD IV. IT PROPOSES A PROGRAM WHICH INCLUDES BOTH COMPENSATORY FINANCING AND AGREEMENTS ON SPECIFIC COMMODITIES IF, AFTER EXAMINATION, AGREEMENTS ARE REQUIRED. THE INSTRUMENTS TO BE USED TO HANDLE COMMODITY PROBLEMS VARY FROM BUFFER STOCKS TO AID FOR DIVERSIFICATION. IT SUGGESTS THAT THE EC AGREE TO EXAMINE THE 17 PRODUCTS ON THE UNCTAD LIST AND THAT THE EXAMINATION BE COMPLETED WITHIN ONE YEAR. END SUMMARY.

2. THE MISSION HAS OBTAINED ON A CONFIDENTIAL BASIS A COPY OF AN EC COMMISSION PAPER DATED JANUARY 21 ENTITLED "GLOBAL APPROACH TO COMMODITY PROBLEMS." THE PAPER, WHICH HAS BEEN SENT TO THE

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EC COUNCIL AD HOC GROUP ON COMMODITIES FORITS CONSIDERATION,

IS THE COMMISSION'S ATTEMPT TO OUTLINE AN
OVERALL EC APPROACH TO COMMODITY PROBLEMS FOR USE AT BOTH
THE CIEC COMMITTEE ON RAW MATERIALS (CORM) AND UNCTAD IV
IN NAIROBI. (A COPY OF THE PAPER HAS BEEN AIR POUCHEO TO
EUR/RPE, ATTENTION CASEY.) A BRIEF SUMMARY OF THE PAPER
FOLLOWS.

3. BEGIN SUMMARY OF PAPER: ALTHOUGH THE COMMISSION WISHES
TO BE FORTHCOMING TO LDC DEMANDS, IT HAS SERIOUS OBJECTIONS
TO THE UNCTAD "INTEGRATED PROGRAM" ON COMMODITIES, I.E.,
INCOMPATIBLE OBJECTIVES, OVER-GENERALIZATION ON TERMS OF
TRADE, TOO MUCH EMPHASIS ON BUFFER STOCKS. IT BELIEVES THAT
WHENAS COMMODITY AGREEMENTS SHOULD BE WORKED OUT ON A
CASE-BY-CASE BASIS, THEY MUST FIT WITHIN AN OVERALL COHERENT,
NEGOTIABLE PROGRAM. THIS PROGRAM SHOULD BE A "PREFERABLE"
ALTERNATIVE TO THE "INTEGRATED PROGRAM". THE OVERALL PROGRAM
WOULD HAVE TWO SEPARATE APPROACHES. THE FIRST APPROACH
COULD PROVIDE FOR EXPORT EARNING STABILIZATION THROUGH SUCH
VEHICLES AS IMF COMPENSATORY FINANCING, THE IMF TRUST FUND,
AND STABILIZATION OF INDIVIDUAL COMMODITY EARNINGS ALONG THE
LINES OF OME, ETC.

4. THE SECOND APPROACH WOULD BE DIRECTED AT IMPROVING MARKET
STRUCTURES FOR INDIVIDUAL COMMODITIES. THE OBJECTIVE OF THE
EC COMMODITY APPROACH WOULD BE TO LIMIT EXCESSIVE PRICE
FLUCTTUATIONS AND IMPROVE STRUCTURAL WEAKNESSES WHILE AT THE
SAME TIME PRESERVING MARKET FORCES. A MAJOR DIFFERENCE WITH
THE "INTEGRATED PROGRAM" IS THAT THE COMMISSION PROPOSES TO
USE A VARIETY OF INSTRUMENTS TO SOLVE COMMODITY PROBLEMS
AND, IF REQUIRED, SEVERAL IN THE SAME AGREEMENT. THE
INSTRUMENTS ARE STOCKING ARRANGEMENTS, LONG-TERM CONTRACTS,
EXPORT DUTIES OR LEVIES, IMPORT CONCESSIONS (E.G.,
GENERALIZED PREFERENCES), DEFICIENCY PAYMENTS, STABEX, TRADE
PROMOTION, INDUSTRIAL COOPERATION, ENCOURAGEMENT OF INVEST-
MENT, PROMOTION OF DIVERSIFICATION. THE COMMISSION PROPOSES
THAT THE FIRST PRIORITY WOULD BE TO EXAMINE THE 17 COMMODITIES
ON THE UNCTAD LIST AND OTHER PRIORITY COMMODITIES. THE
EXAMINATION SHOULD BE COMPLETED WITHIN ONE YEAR.

5. ALTHOUGH THE PAPER DOES NOT SPECIFICALLY SAY SO,
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PRSEUMABLY FOLLOWING THE EXAMINATION, DISCUSSION WOULD TURN
TO WHAT NEED BE DONE FOR THE SPECIFIC COMMODITIES, THE
INSTRUMENTS TO BE EMPLOYED, COSTS, ETC. THE PAPER EXPRESSLY
STATES THAT THE GOLBAL PROGRAM DOES NOT ENTAIL ON OBLIGATION
TO ENTER INTO A FULL, FORMAL INTERNATIONAL AGREEMENT FOR
EVERY COMMODITY EXAMINED. THE PAPER ALSO STATES THAT IT CAN
ONLY BE DETERMINED A LATER DATE WHETHER OR NOT FINANCING
FOR BUFFER STOCKS, COMMODITY STABEX OR DIVERSIFICATION, ETC.

MIGHT BE BROUGHT TOGETHER IN "SOME KIND OF A COMMON FUND."

END SUMMARY OF PAPER

6. COMMENT: THE PAPER REPRESENTS A COMPROMISE BETWEEN A CASE-BY-CASE APPROACH AND A GLOBAL PROGRAM. IT ALSO IS A COMPROMISE BETWEEN THE COMMODITY AGREEMENT APPROACH ADVOCATED BY FRANCE AND COMPENSATORY FINANCING SUPPORTED BY GERMANY. IT MOVES BACK FROM THE POSITIONS TAKEN BY AN EARLIER WORKING PAPER WRITTEN BY A COMMISSION OFFICIAL WHICH ADVOCATED A GERNERAL AGREEMENT ON RAW MATERIALS WITH COMMON FINANCING FOR BUFFER STOCKS, COMMON MANAGEMENT OF BUFFER STOCKS, ETC. (SEE REFTEL). IT STILL REPRESENTS, HOWEVER, A DESIRE BY THE EC COMMISSION TO DEVELOP A COHERENT PROGRAM TO DEAL WITH COMMODITY PROBLEMS. MORRIS

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